

KENTUCKY ECONOMIC INDICATORS

October 2008 as of January 2009

KY Composite Index of Leading Indicators decreased by 9.2 percent in October.

- The Leading Index has decreased for the third consecutive month.
- The month-over-same-month-last-year growth rate declined for the eleventh consecutive month with -3.6 percent growth.
- All five indicator components were negative in October.
 - KY Labor Intensity Index decreased 1.0 percent.
 - KY Index of Initial UI Claims decreased by 13.7 percent.
 - US Retail Sales decreased by 34.1 percent.
 - US Manufacturer's New Orders Index decreased by 21.3 percent.
 - The Louisville Help Wanted Index decreased by one point to 10.

Component weights for October are 68.9, 13.5, 11.4, 5.0 and 1.2 respectively.

KY Composite Index of Coincident Indicators increased by 6.8 percent in October.

- The Coincident Index growth is positive for the third time in 2008.
- The month-over-same-month-last-year growth rate is negative for the fourth consecutive month with -1.7 percent growth.
- Component indicators leaned positive for October, 2:1.
 - KY Non-farm Employment decreased 0.3 percent.
 - + US Industrial Production Index increased 18.9 percent.
 - + US Personal Income Less Transfers increased 9.9 percent.

Component weights for October are 39.3, 28.3 and 19.3 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index has declined strongly for the third consecutive month with a 9.2 percent decline in October. Since the Leading Index is currently in the middle of a contraction period, as indicated by the trio of negative growth months from June to August 2007, these recent three consecutive declines have no significance other than their inherent meaning for the components. Following the 2007 mid-year trio of declines was a succession of 13 months where the month-to-month growth rate alternated signs every month. This also does not hold any special meaning, except to tell us that there is no recovery imminent and that the individual components continue to fluctuate strongly. The October decline does tell us that the next turning point in the Leading Index cannot occur for at least three more months.

All five leading index components declined in October. Excluding the monthly growth rate for the Louisville Help Wanted Index, US Retail Sales experienced the sharpest decline for the month. US Retail Sales dropped by a significant 34.1 percent in October, making it the largest single month drop since at least 1990 (when the US Retail Sales series was revamped into its current form). The significant October decline brings total US Retail Sales back down to its October 2006 level. US Retail Sales on a monthly basis is generally a highly variable series (albeit with a strong positive long run trend) and therefore it gets a small weight in the Leading Index computation.

US Manufacturer's New Orders experienced its fourth consecutive decline and its twelfth decline in the last 15 months. The October level of US Manufacturer's New Orders Index is the lowest reported level since July 1995. The Manufacturer's New Orders Index is made up of two components, new orders of consumer goods and materials and new orders of nondefense capital goods. Each component is declining in equal measure, both recently and for October. New orders of consumer goods and materials declined by 13.1 percent in October, while new orders of nondefense capital goods declined by 14.1 percent.

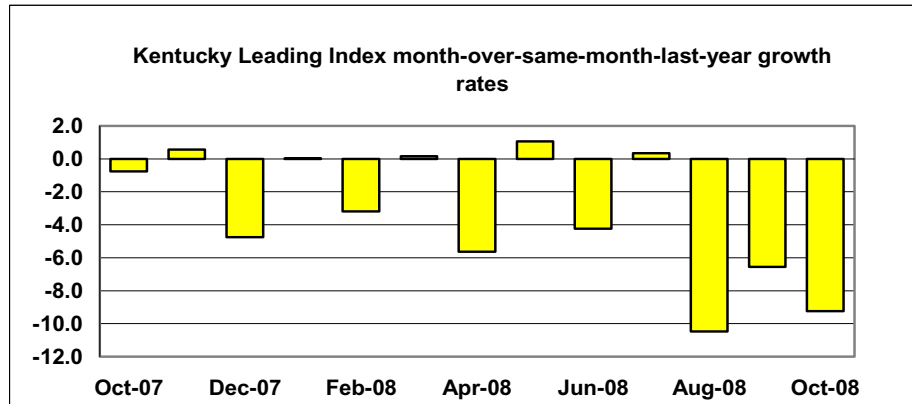
The Kentucky Index of UI Claims declined by 13.7 percent in October, the fifth consecutive decline. This is also the tenth decline in the last 13 months. The UI Index is made up of two components, US initial claims and Kentucky first payments. Both UI series increased for the month, but the magnitude of the increase for the US series was much higher. US initial claims increased by 44.8 percent in October, while Kentucky first payments increased by 17.7 percent. Both of these increases are historically very high; taken in tandem, the recent labor market data signal a sharp downturn in the U.S. and Kentucky employment situations. The first payments data is slightly understated because some of those persons who would receive unemployment payments are excluded because they have exhausted their benefits for the benefits year. Exhaustees have increased significantly in the last three months, increasing 25.7 percent, 61.5 percent and 5.4 percent, respectively from August through October compared to the same month in 2007.

The Kentucky Labor Intensity Index, which carries the most weight in the leading index, declined by 1.0 percent in October. This is the ninth decline in the last 12 months for the index, a further indication that the demand for manufacturing labor in Kentucky is eroding. Month-over-same-month-last-year growth has declined for four of the five employment sectors for the index. Only chemical products employment increased showing small growth of 1.4 percent for October. The biggest loser in terms of percent

and in absolute magnitude for October is transportation equipment employment which lost 15.3 percent (8,600 seasonally adjusted jobs). In fact, wood products employment declined by 4.6 percent, culminating a 10 month string of declines.

The consumer price index turned strongly negative in October, with prices declining an average 10.9 percent for all goods. The majority of these losses were in the energy commodities as energy prices declined sharply in October. On the one bright side, the US and Kentucky Coincident indices turned positive for October, a reflection of the October personal income growth. October 2008 personal income had a very low hurdle from October 2007, and despite declining prices, showed a sizable gain.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted General Fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals; and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** Inflection points used to determine turning points.
- **U.S. Manufacturer's New Orders Index:** This index has two components: U.S. Manufacturer's New Orders for Nondefense Capital Goods and U.S. Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007			2008									
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
KY Leading Index (1992=100)	112.6	112.6	112.2	112.2	111.9	111.9	111.3	111.4	111.0	111.1	110.1	109.4	108.6
% Chg Previous Month SAAR	-0.8	0.6	-4.7	0.0	-3.2	0.2	-5.6	1.1	-4.2	0.3	-10.5	-6.6	-9.2
% Chg Same Month Last Year	0.1	0.1	-0.9	-0.5	-0.6	-1.2	-1.2	-1.4	-1.6	-1.5	-2.0	-2.8	-3.6
KY Leading Index Diffusion Index	63.3	56.7	56.7	56.7	56.7	53.3	50.0	50.0	50.0	46.7	46.7	36.7	33.3
KY Coincident Index (1992=100)	135.6	135.9	135.9	136.0	135.8	135.8	135.4	135.3	135.1	135.3	134.6	132.6	133.3
% Chg Previous Month SAAR	-0.3	2.1	0.7	0.1	-1.2	-0.4	-3.3	-0.9	-1.6	1.5	-5.8	-16.7	6.8
% Chg Same Month Last Year	1.6	1.6	1.2	1.4	1.0	0.9	0.5	0.3	0.0	-0.1	-0.6	-2.3	-1.7
KY Non-farm Employment (000s)	1,874.5	1,877.9	1,880.0	1,881.5	1,880.5	1,881.6	1,878.5	1,879.1	1,875.8	1,884.6	1,877.4	1,865.5	1,865.0
% Chg Previous Month SAAR	2.4	2.2	1.4	1.0	-0.6	0.7	-2.0	0.4	-2.1	5.8	-4.5	-7.3	-0.3
% Chg Same Month Last Year	1.5	1.5	1.0	1.2	1.2	1.0	0.8	0.5	0.3	0.8	0.5	-0.3	-0.5
KY Private Services Employment (000s)	1,185.9	1,187.5	1,188.4	1,194.4	1,193.4	1,190.8	1,189.4	1,185.1	1,183.6	1,188.6	1,188.0	1,181.8	1,183.4
% Chg Previous Month SAAR	3.5	1.6	0.8	6.2	-0.9	-2.7	-1.3	-4.3	-1.4	5.1	-0.6	-6.1	1.7
% Chg Same Month Last Year	1.7	1.5	1.2	1.6	1.7	1.1	1.1	0.2	0.0	0.6	0.5	-0.1	-0.2
KY Mfg Employment (000s)	253.9	253.1	250.7	250.6	250.4	253.3	250.7	251.8	247.9	252.3	245.4	242.8	240.4
% Chg Previous Month SAAR	-4.2	-3.7	-10.8	-0.5	-1.0	14.8	-11.6	5.4	-17.1	23.5	-28.3	-12.0	-11.2
% Chg Same Month Last Year	-0.9	-0.9	-3.3	-3.2	-3.3	-0.8	-2.8	-2.3	-4.0	-1.6	-2.9	-4.7	-5.3
KY Unemployment Rate (%)	5.4	5.1	5.3	5.2	5.3	5.7	5.6	6.2	6.3	6.7	6.8	7.1	6.8
KY Index of Initial UI Claims (1992=100)	101.6	103.0	101.4	102.9	102.3	101.1	100.8	101.4	100.2	100.0	99.2	98.0	96.8
% Chg Previous Month SAAR	-22.9	16.8	-17.1	19.2	-6.8	-13.0	-2.9	6.7	-12.7	-2.2	-9.6	-14.2	-13.7
% Chg Same Month Last Year	-1.6	0.2	-2.1	-0.7	-0.5	-2.7	-2.2	-2.4	-3.4	-3.7	-4.0	-5.7	-4.8
KY Labor Intensity Index (1992=100)	104.9	104.8	104.5	104.6	104.5	104.5	104.4	104.4	104.0	104.5	104.1	103.8	103.7
% Chg Previous Month SAAR	3.2	-0.2	-3.6	0.5	-0.7	0.0	-1.1	-0.1	-4.3	5.6	-5.1	-3.0	-1.0
% Chg Same Month Last Year	0.4	0.4	-0.1	0.0	-0.1	0.0	-0.2	-0.3	-0.6	-0.1	-0.4	-0.8	-1.1
Louisville HWI (1992=100)	23.0	19.0	20.0	19.0	18.0	20.0	15.0	15.0	15.0	13.0	11.0	11.0	10.0
% Chg Previous Month SAAR	0.0	-89.9	85.1	-46.0	-47.7	254.1	-96.8	0.0	0.0	-82.0	-86.5	0.0	-68.1
% Chg Same Month Last Year	-36.1	-50.0	-52.4	-45.7	-41.9	-53.5	-48.3	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5
GF Total Tax Receipts (\$ mill)	639.4	624.7	822.3	724.3	564.7	610.5	922.7	610.3	813.5	619.9	614.5	786.1	658.3
% Chg Same Month Last Year	1.5	-1.0	-6.7	6.1	3.8	-6.5	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0
GF Sales & Use Receipts (\$ mill)	246.7	236.1	235.2	296.7	205.5	209.6	232.4	238.4	249.0	266.1	251.7	233.6	252.5
% Chg Same Month Last Year	1.7	5.5	-1.5	3.7	6.2	-1.4	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4
GF Income Tax Receipts (\$ mill)	265.6	236.9	295.4	272.7	235.0	193.6	544.3	261.6	355.3	262.2	270.9	343.6	286.9
% Chg Same Month Last Year	6.9	-2.3	9.7	34.9	3.5	-5.1	92.1	-22.6	22.9	5.2	12.6	3.2	8.0

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007				2008									
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	
US Leading Index (2004=100)	103.2	102.8	102.6	102.1	101.9	101.9	102.0	101.9	101.9	101.2	100.3	100.3	99.4	
	% Chg Previous Month SAAR	-5.6	-2.3	-5.7	-2.3	0.0	1.2	-1.2	0.0	-7.9	-10.2	0.0	-10.3	
	% Chg Same Month Last Year	-0.7	-1.0	-1.7	-1.8	-1.7	-2.1	-1.8	-2.0	-1.9	-3.3	-3.2	-3.3	
US Coincident Index (1996=100)	107.3	107.2	107.2	107.2	106.9	106.9	106.9	106.8	106.6	106.4	106.0	104.9	105.2	
	% Chg Previous Month SAAR	1.1	-1.1	0.0	0.0	-3.3	0.0	0.0	-1.1	-2.2	-2.2	-11.8	3.5	
	% Chg Same Month Last Year	1.6	1.5	1.1	1.2	0.8	0.6	0.5	0.3	0.0	-0.5	-1.0	-2.0	
US Non-farm Employment (Mil.)	138.0	138.0	138.1	138.0	137.9	137.8	137.8	137.7	137.6	137.6	137.4	137.0	136.6	
	% Chg Previous Month SAAR	1.2	0.5	0.4	-0.7	-0.7	-0.8	-0.6	-0.4	-0.9	-1.1	-3.5	-3.6	
	% Chg Same Month Last Year	1.0	0.9	0.8	0.7	0.6	0.4	0.3	0.1	0.0	-0.1	-0.6	-1.0	
US Service-Providing Employment (Mil.)	115.9	116.0	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	115.8	115.5	
	% Chg Previous Month SAAR	1.9	1.2	1.2	-0.1	0.1	-0.1	0.4	0.0	-0.1	-0.6	-2.9	-2.3	
	% Chg Same Month Last Year	1.6	1.4	1.4	1.3	1.1	1.0	0.9	0.8	0.7	0.6	0.4	0.1	
US Manufacturing Employment (000s)	13,797.0	13,794.0	13,772.0	13,737.0	13,690.0	13,644.0	13,592.0	13,571.0	13,527.0	13,487.0	13,426.0	13,357.0	13,234.0	
	% Chg Previous Month SAAR	-2.1	-0.3	-1.9	-3.0	-4.0	-4.0	-4.5	-1.8	-3.8	-5.3	-6.0	-10.5	
	% Chg Same Month Last Year	-2.1	-1.9	-1.9	-2.0	-2.1	-2.2	-2.4	-2.4	-2.6	-2.9	-3.0	-3.4	
US Unemployment Rate (%)	4.8	4.7	4.9	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	
US Manufacturer's New Orders Index (1996=100)	129.8	129.5	130.5	126.8	125.9	125.4	123.6	122.0	122.4	122.3	116.2	114.7	112.5	
	% Chg Previous Month SAAR	2.1	-2.5	9.8	-28.9	-8.3	-4.5	-16.6	-14.2	4.6	-1.2	-45.9	-14.1	
	% Chg Same Month Last Year	-0.8	-1.5	-2.5	-1.1	-2.9	-4.9	-7.0	-6.8	-6.5	-9.1	-10.8	-11.4	
US Initial Claims for UI (000s)	330.0	340.1	344.6	339.2	346.0	374.8	367.3	369.0	390.5	420.1	439.9	474.3	477.8	
	% Chg Previous Month SAAR	53.6	43.6	17.1	-17.3	26.9	161.0	-21.5	5.7	97.3	73.8	146.8	9.2	
	% Chg Same Month Last Year	4.4	3.7	7.5	7.7	6.5	20.4	14.3	19.6	22.6	36.1	35.2	49.0	
US Industrial Production Index (1992=100)	111.8	112.3	112.4	112.6	112.3	112.0	111.4	111.2	111.3	111.3	109.8	105.2	106.8	
	% Chg Previous Month SAAR	-4.5	5.2	1.0	2.0	-3.3	-2.5	-6.1	-2.4	0.7	-0.4	-14.9	-39.6	
	% Chg Same Month Last Year	1.9	2.5	2.0	2.5	1.6	1.5	0.4	0.2	-0.1	-0.7	-2.0	-6.2	
US Personal Income Less Trans. (Bil. 2000 chnd)	8,507.5	8,498.9	8,495.0	8,466.1	8,464.9	8,465.1	8,435.2	8,420.8	8,384.1	8,362.3	8,377.5	8,341.1	8,407.2	
	% Chg Previous Month SAAR	0.4	-1.2	-0.5	-4.0	-0.2	0.0	-4.2	-2.0	-5.1	2.2	-5.1	9.9	
	% Chg Same Month Last Year	2.3	1.8	1.4	1.0	0.5	0.3	0.1	0.0	-0.6	-1.2	-1.3	-1.2	
CPI, All Urban (1982-84=100)	209.1	210.9	211.7	212.5	212.6	213.3	213.7	215.1	217.4	219.2	218.9	218.8	216.7	
	% Chg Previous Month SAAR	3.2	11.3	4.4	4.8	0.3	4.2	2.5	8.1	13.4	10.3	-0.4	-10.9	
	% Chg Same Month Last Year	3.5	4.4	4.1	4.4	4.1	4.0	3.9	4.1	4.9	5.5	4.9	3.7	
US Retail Sales (\$Billions)	379.6	384.2	380.6	380.0	378.1	380.0	380.8	383.8	384.1	381.6	379.0	373.0	360.3	
	% Chg Previous Month SAAR	3.9	15.3	-10.6	-1.8	-5.9	6.2	2.5	9.8	-7.5	-7.9	-17.3	-34.1	
	% Chg Same Month Last Year	5.5	6.6	4.2	3.9	2.7	2.3	2.8	2.0	3.1	2.0	1.3	-1.4	
US Consumer Expectations (1966=100)	70.1	66.2	65.6	68.1	62.4	60.1	53.3	51.1	49.2	53.5	57.9	67.2	57.0	
	% Chg Previous Month AR	-48.6	-49.7	-10.4	56.6	-65.0	-36.3	-76.3	-39.7	-36.5	173.3	158.2	497.4	
	% Chg Same Month Last Year	-17.3	-20.4	-19.2	-22.3	-23.4	-23.6	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	
Ave. Prime Interest Rate (% , NSA)	7.74	7.50	7.33	6.98	6.00	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	